

FINAL

January 3, 2014 10:15 A.M.

A G E N D A

NATURAL RESOURCES ITEMS FOR THE
TRANSPORTATION AND NATURAL RESOURCES COMMITTEE - STATE ADMINISTRATIVE BOARD

Transportation and Natural Resources - January 14, 2014 - 11:00 A.M.
State Administrative Board Meeting - January 14, 2014 - 11:00 A.M.

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This agenda is for general informational purposes only. At its discretion, the Transportation and Natural Resources Committee may revise this agenda and may take up other issues at the meeting.

MINERAL LEASES

1. **OIL AND GAS LEASE AUCTION HELD October 28, 2013:** A total of 11,933.29 acres of state-owned oil and gas rights were offered for lease. There were 14 successful bidders out of 14 registered. A total of 11,933.29 acres bid on are proposed to be leased within 12 counties. Net revenue generated at the auction was \$599,587.02.

Terms: Five-year primary term with two one-year extension options, 1/6 royalty. Bonus amount of \$513,356.00 and rental amount of \$86,231.02.

2. **DIRECT OIL AND GAS LEASE - NONDEVELOPMENT:** Oil and gas lease rights to 120 acres, more or less, of state-owned Department of Military and Veteran Affairs oil and gas rights located in Section 4, T25N, R04W, Beaver Creek Township, Crawford County, have been requested by Savoy Energy Limited Partnership, of Traverse City, Michigan.

Terms: Two-year primary term, no extensions, three-sixteenths (3/16) royalty, \$30,000.00 bonus consideration (\$250.00 per acre), and \$2.00 per acre rental.

The Director of the Department of Natural Resources approved item 1 on December 12, 2013. The Natural Resources Deputy approved item 2 on December 17, 2013. The form of legal documents involved in these transactions has previously been approved by the Attorney General.

I recommend approval.

Respectfully submitted:
Department of Natural Resources

By: Lacie Bonner for
Mary Uptigrove, Manager
Minerals Management



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING



KEITH CREAGH
DIRECTOR

November 12, 2013

To: Keith Creagh, Director

Information: Natural Resources Commission

Transaction: Oil and Gas Lease Auction – 11,933.29 acres were offered October 28, 2013

Authority: Part 5, Department of Natural Resources (DNR), Section 502, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended.

Applicants: The attached auction summary identifies the successful bidders, the total acreage, and the total revenue paid. There were fourteen registered bidders with fourteen successful bidders.

Mineral Description: The Official Auction Record shows the legal descriptions for each offering.

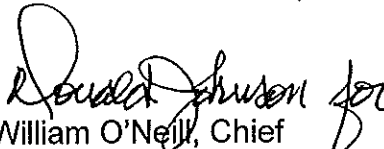
Acres Bid: Of the 11,933.29 acres offered, a total of 11,933.29 acres received successful bids (4,262.45 acres development, 7,670.84 acres nondevelopment) in 12 counties.


Lease Terms: Five-year primary term with two one-year extension options, 1/6 royalty. Bonus amount of \$513,356.00 and rental amount of \$86,231.02. Total revenue generated at the auction was \$599,587.02.

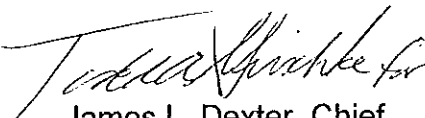
Special Restrictions: In accordance with those described in the Official Auction Record for each applicable auction description except offerings 18-40, located in T26N, R03W, Grayling Township, which are approved as nondevelopment leases only, with no opportunity for reclassification. Additionally, for any parcels that were acquired through tax reversion on or after April 1, 1976, the successful bidder will be required to submit an Attorney's Title Opinion (ATO). The ATO must show that the mineral rights were not severed prior to tax reversion. If an ATO is not provided by April 28, 2014, a lease will not be issued and the DNR will not refund the bonus and rental paid.


Notice: This item appeared on the December 3, 2013 DNR Business Calendar, and is eligible for approval December 12, 2013.

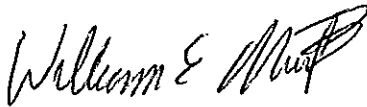
Recommendation: That the oil and gas leases be issued to the successful bidders pursuant to the above terms and conditions.


William O'Neill, Chief
Forest Resources Division

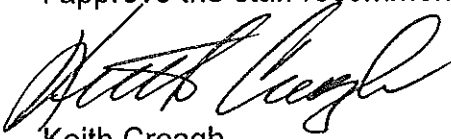

Russ Mason, Ph.D., Chief
Wildlife Division


James L. Dexter, Chief
Fisheries Division


Mary Uptigrove, Manager
Minerals Management


William E. Moritz, Ph.D.
Natural Resources Deputy

I approve the staff recommendation.


Keith Creagh
Director

12/12/13
Approval Date

State of Michigan
Oil and Gas Lease Auction
October 28, 2013

Bidder Number	Bidder Name	Total Acres	Total Bonus + Total Rental
101	CORE Energy, LLC 1011 Noteware Drive Traverse City, MI 49686	237.00	\$19,340.00
102	O.I.L. Energy Corp. 954 Business Park Drive, Suite 5 Traverse City, MI 49686	160.00	\$7,520.00
103	Range Michigan LLC 4026 Pamala Ln Traverse City, MI 49686	80.00	\$52,160.00
104	Coleman Oil and Gas, Inc. P.O. Drawer 3337 Farmington, NM 874993	120.00	\$2,400.00
105	Dennis R. Schmude, d/b/a Schmude Oil P.O. Box 610 Haslett, MI 48840	157.41	\$22,174.82
106	Meridian Energy Corporation P.O. Box 610 Haslett, MI 48840	184.11	\$3,828.22
107	Wytex Drilling Ventures LLC P.O. Box 280969 Lakewood, CO 80228	5,251.50	\$246,018.20
108	CMS Gas Transmission Company One Energy Plaza Jackson, MI 49201	280.00	\$15,360.00
109	Encana Oil & Gas (USA) Inc. 370 17 th Street, Suite 1700 Denver, CO 80202	3,102.66	\$100,625.32
110	Arbor Operating, L.L.C. 104 South Union Street Traverse City, MI 49684	320.00	\$27,400.00
111	Kosco Energy Group, LLC P.O. Box 2104 Traverse City, MI 49685	1,132.46	\$57,099.60
112	Western Land Services, Inc. 1100 Conrad Industrial Drive Ludington, MI 49431	280.00	\$29,600.00

State of Michigan
Oil and Gas Lease Auction
October 28, 2013

Bidder Number	Bidder Name	Total Acres	Total Bonus + Total Rental
113	Jordan Development Company, L.L.C. 1503 Garfield Road North Traverse City, MI 49686	468.15	\$12,860.86
114	Delta Oil Co., Inc. 125 Windsor Drive, Suite 101 Oak Brook, IL 60523	160.00	\$3,200.00
Totals:		11,933.29	\$599,587.02



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
LANSING



KEITH CREAGH
DIRECTOR

December 10, 2013

To: Dr. William E. Moritz, Natural Resources Deputy

Transaction: One Direct Oil and Gas Lease, Nondevelopment, in Crawford County

Authority: Part 5, Department of Natural Resources (DNR), Section 502, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended

Applicant: Savoy Energy Limited Partnership, of Traverse City, Michigan

Jurisdiction: Department of Military and Veterans Affairs, state-owned oil and gas rights

Mineral Description: E1/2 SW1/4 and SW1/4 SW1/4, Section 4, T25N, R04W, Beaver Creek Township, Crawford County, containing 120 acres, more or less

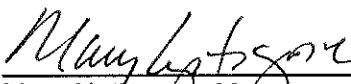
Drilling Type/Unit: Proposed 640-acre Prairie Du Chien formation drilling unit comprised of the S1/2 of Section 4 and N1/2 of Section 9, T25N, R04W, Beaver Creek Township, Crawford County

Lease Terms: Two-year primary term, no extensions, three-sixteenths (3/16) royalty, \$30,000 bonus consideration (\$250 per acre), and \$2.00 per acre rental

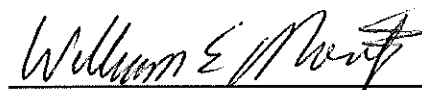
Restrictions: Nondevelopment

Notice: Notice was published in *The Crawford County Avalanche* newspaper October 17, 2013. This item appeared on the December 3, 2013 DNR Business Calendar and is eligible for approval December 10, 2013.

Recommendation: The oil and gas lease be issued to the applicant pursuant to the above terms and restrictions.


Mary Uptgrove, Manager
Minerals Management

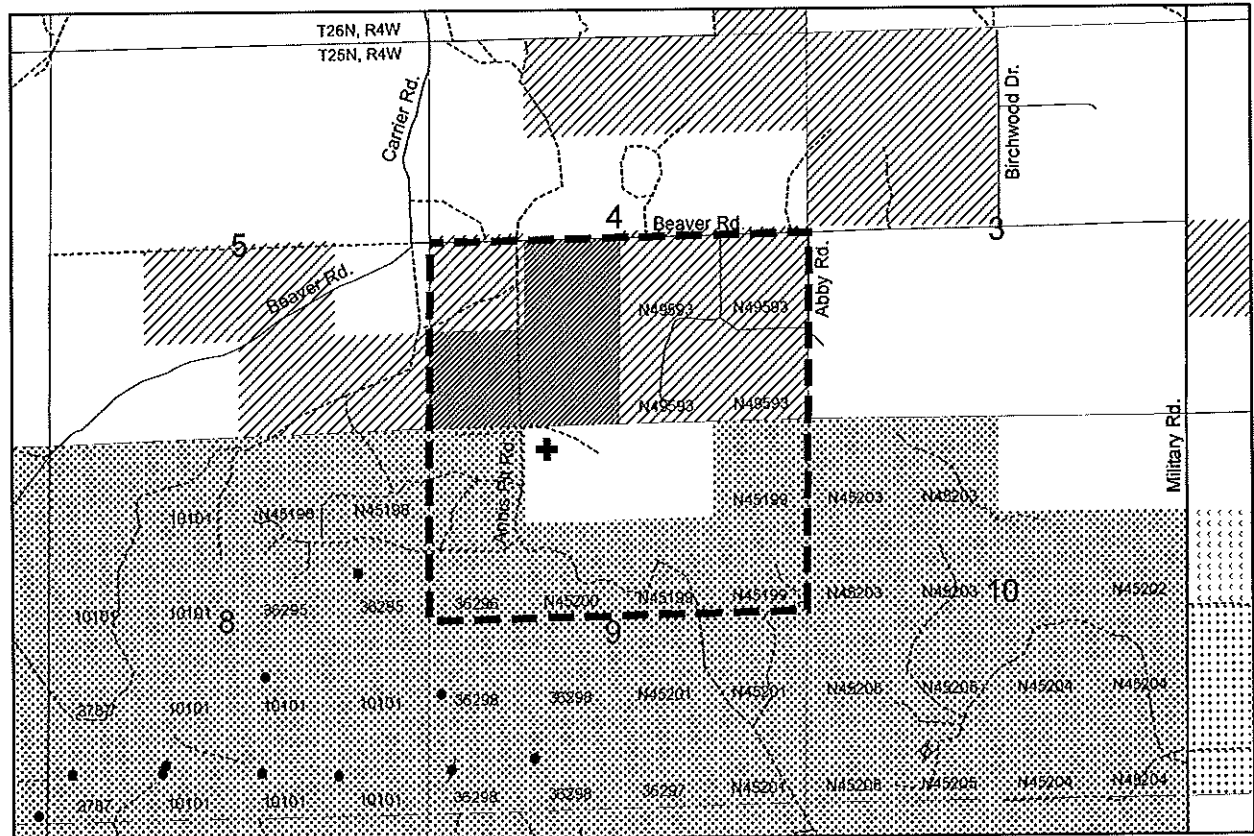
I approve the staff recommendations.


William E. Moritz, Ph.D.
Natural Resources Deputy


Approval Date

DIRECT OIL AND GAS LEASE - NONDEVELOPMENT

Savoy Energy Limited Partnership
SW1/4 SW1/4 and E1/2 SW1/4, Section 4, T25N, R04W
Beaver Creek Township, Crawford County



- | | |
|---|---------------------------|
| State-owned DMVA oil and gas rights requested for lease (120 acres, more or less) | / Plugged well |
| Proposed 640-acre PdC drilling unit | • Oil well |
| Proposed well site surface location | ◇ Dry hole |
| Mineral and surface ownership | ○ Permitted well location |
| Mineral ownership | |
| Mixed ownership | |
| Surface ownership | |

